



Engaging with Stakeholders to Create Impact

The trusted imperative

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Introduction

Economic, political, and social unrest and a global climate crisis have placed unprecedented disruption and pressures on organizations looking to navigate a rapidly changing environment.

Shifting regulations, data as an asset, dynamic customer behaviour and employee expectations of continued flexibility in a more virtual workplace add to the headache. In the face of these concerns, however, CEOs are confident in the growth prospects of their companies and the global economy in general.

The organizations that will thrive are those with a clear (and bullish) strategy for growth and who embrace digital transformation to drive agility, flexibility, and speed.

This way of thinking demands an internal audit (IA) function that can evolve as fast as, and who are aligned to, the evolving nature of the organization. Faced with new business models and increasing complexity, IA must adapt to provide the assurance and value their organization requires.

When you address risk and regulation in a disciplined way, through the eyes of all stakeholders, it doesn't hold you back—it gives you the freedom to go fast. You can confidently create new technologies and solutions because you've built trust.

In this game, trust is the coveted ticket to play. When you earn the trust of your stakeholders it gives you the permission to innovate boldly, grow responsibly, and create a new future.

The way we see it, trust is the ultimate business enabler, and your IA function helps create it.

Investing in Building Trust with Stakeholders

IA has an opportunity to reconsider its stakeholders and their needs and to help them actively anticipate risks and opportunities. To understand these stakeholder needs, broadening the view of stakeholders is important. By considering the roles of customers, regulators, suppliers, employees, and more as it relates to IA stakeholders, the business is given the chance to effectively reshape its approach to risk and IA work. Some of the key investments that internal audit functions need to make in building stakeholder trust are as outlined below:



Establish a strategic vision for internal audit

To provide real-time value to the organization, IA must align its activities with the organization's vision. Get started by identifying the organization's current state and creating a vision for the function that meshes with the organization's path forward, key objectives, and business risks, taking into account any uncertainty in its operating environment. Also, consider assessing your current state against leading practices and maturity models to help determine where investment would be most valuable.



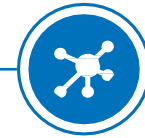
Change the profile of delivery capabilities

Technology skills, especially data analytics, will likely become critical to future audit work and are worth investing in. IA professionals should also bring a deeper level of business know-how with a problem-solving mindset; they should understand the elements of individual business processes and how each ties back to the big picture, from a risk perspective, to address risks broadly across the business. These are the skill sets IA leaders should look to develop through training, retention protocols, reskilling, and rotational programs and when filling future openings.



Align data and technology needs to IA's assurance objectives

Embedding and curating data into the IA operating model is a required change, but there are challenges to address. The volume of data needed for testing and analysis within the data-driven audit function can become overwhelming, and the curation of data and insights developed by audit can be complex. This highlights the importance of a technology strategy for IA to bring the tools needed to support objectives. Assessing enterprise technologies available is an important step in building this strategy and considering how to tap into data and tools already in place for the organization.



Partner with other lines of defense for synergies

As part of risk assessment and audit planning, consider how other lines of defense are already aligned to aspects of the risk universe. Assess where IA can collaborate and consult on active risk mitigation needs, as an alternative to waiting until the risk is managed, to provide assurance support. This collaboration could include seeking to leverage the same tools for increased governance, risk, and compliance (GRC) integration or coinvestment in new capabilities.



Operate with agility and responsiveness

Recent years have caused disruptions to traditional operating models requiring internal audit functions to flex quickly and adopt scalable, flexible audit techniques and approaches. Internal audit now has the opportunity to permanently shift the dial. Agile internal audit techniques allow for a timely and fit-for-purpose approach to providing assurance during uncertain and changing times. Agile internal audits are founded on the agile project and change management methodology, built to accommodate continually changing circumstances. As the agile method is shorter and iterative it allows for more flexibility and delivers greater impact when new initiatives arise, or significant business interruption occurs. Agile approaches to delivering outputs are increasingly being used across all organizations, including second and third-line functions.



Think big while starting small, focusing on a pilot concept

With a future-state vision set, transformation can occur incrementally, and narrowing the scope to a single pilot area can help prove the value of investing further. Select a single audit to expand the use of data analytics or introduce Agile-inspired approaches. Or, focus on better leveraging a specific technology to take advantage of its built-in capabilities. Even a refresh of reporting to be more succinct and focused can enhance value and save time. No matter where you are in your transformation journey, you should evaluate your investment plan to help ensure you are able to reach your transformation goals.



Becoming Influential in Executive Conversations

Trusted relationships will be built by demonstrating IA's relevance to each stakeholder and the organization as a whole

Through developing relationships built on trust, IA will be influential in executive conversations as a strategic risk adviser or problem solver. Effective IA functions will routinely probe internal stakeholders on arising initiatives and changes in business processes and offer relevant insights to further their risk discussions. As IA becomes aware of—and integrates themselves into—these initiatives, they will serve as a trusted adviser, bringing the right insights to planning discussions and providing consultative support or real-time assurance.

To effectively act as a strategic risk adviser or problem solver, IA must commit the necessary resources to address ad hoc requests by the business. Some of the considerations that IA can make include:

The audit plan should have built-in flexibility to take on project work for the ad hoc requests.

Further, the audit plan should be a reflection of the initiatives arising from the organization's overall business strategy. Strategically important and future-focused emerging risks (digital transformation, cyber security, ESG programs, data security) should be prioritized as IA moves from being problem finders to also problem solvers. Data and technology-related risks specifically trend at the top of these emerging risks that IA functions are seeing a rise in importance for their organization and for IA involvement.

IA resources are accessible to provide the right subject matter knowledge for the risk topics added to the plan.

To move into a more strategic, advisory role for management, IA departments will need to adapt the profile of the typical candidate they hire. As the organization pushes forward with digital transformation and new technologies are adopted, hiring profiles need to evolve to include a mix of strategic, behavioral, data utilization, and technology skills—alongside traditional IA skills.

While adapting the type of talent within the department, IA should also reconsider the model and tools available to execute on its agenda. This means offering more variation in working models with remote work and flexible hours. This also means looking at emerging technologies that enable IA to approach activities differently, such as the use of drones or automation to perform work in alternative ways.

The use of data analytics continues to be a powerful tool for the IA function to assess risk and provide insights to assist management decision-making on process improvements and the effectiveness of controls.

IA should leverage enterprise data to provide real insight into the risks facing the organization. IA of the future should have capabilities to perform deep analytics to inform the function's risk assessment, planning, and monitoring. The data-driven risk assessments will enable smarter and more informed business decisions.

Further, data analytics and technology should support broader audit coverage and continuous auditing by offering visibility to trends across an entire population.

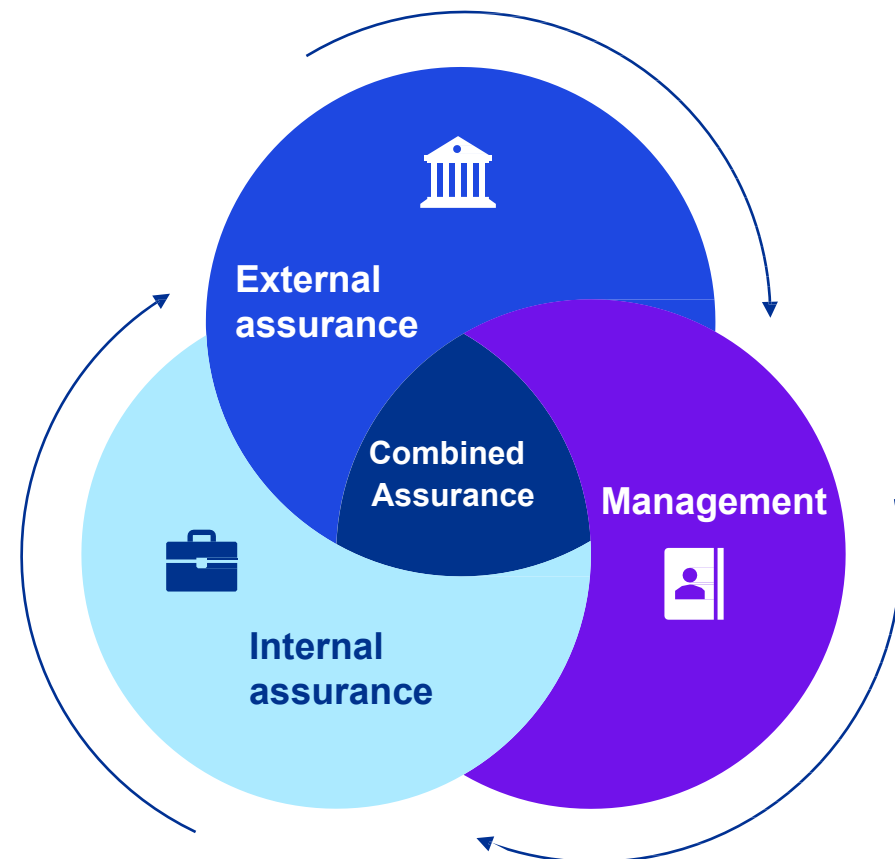
As IA increases its role in these strategically important areas, conveying the insights provided through these efforts is key to demonstrating that value.

IA should support the internal stakeholders and associates with second-line functions to help the organization better meet its obligations to external stakeholders.

Metrics around involvement in change initiatives, ad hoc requests, and points of impact (i.e., improvements implemented as a result of audit work) should be monitored as KPIs.

Partnering with Other Lines of Defence for Synergies

Combined assurance is a vital component in the governance of an organization. Approaching the various components of assurance in isolation leads to duplicated information in reports and less value provided to stakeholders. Further, this could lead to gaps in providing assurance for key risks, audit fatigue and inefficient use of resources.



By identifying and outlining the assurance activities undertaken by each line of defence for your principal risks, you will be able to:

- Determine those risks which require further monitoring and management;
- Identify instances where certain risks have been excessively mitigated and managed as a result of duplicated assurance activities; and
- Make informed and focused decisions with respect to your short, medium and long-term assurance strategy over your principal risks.

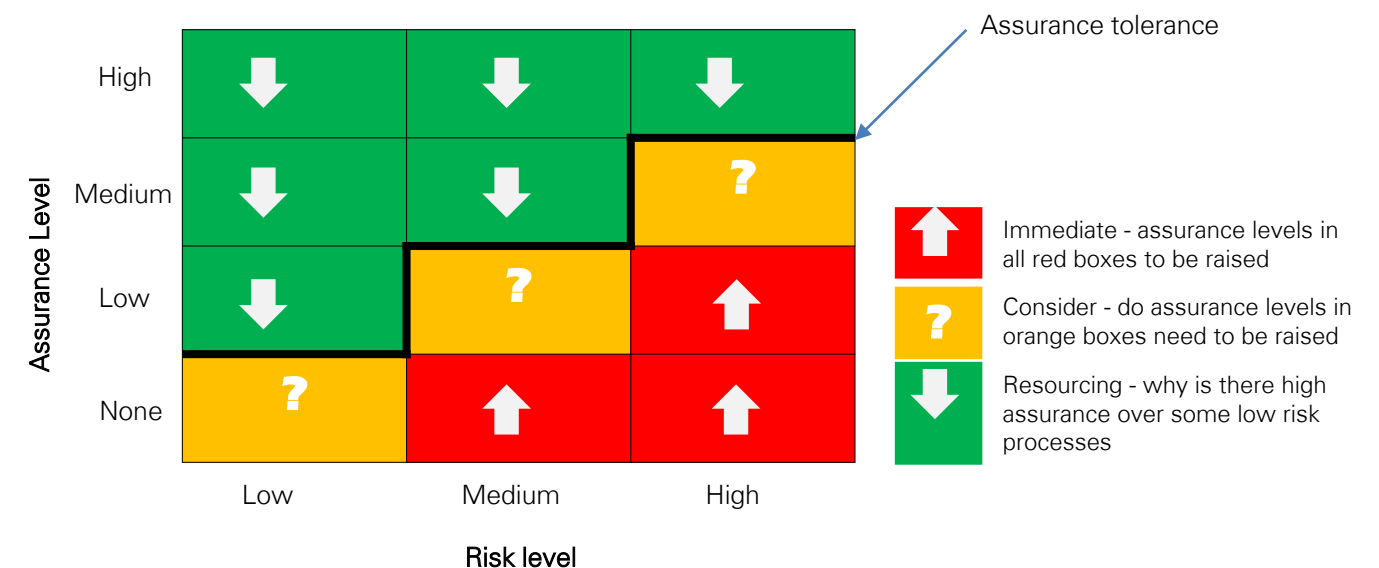
What does an assurance map look like in its most basic form

An assurance map is intended to provide a snapshot view of the assurance obtained over an organization's principal risks by the various teams forming the organization's four lines of defence. Below is an illustrative example of an assurance map that captures both the gross risk scores prior to any assurance and controls and the net risk score post-all assurance.

Principal Risks	Current Gross Risk score (pre controls)	First Line of Defence Business operations "Management Controls"			Second Line of Defence Oversight functions, e.g. Finance, Legal, HR, H&S, Risk and Compliance				Third Line of Defence Internal Audit and other independent assurance providers		Fourth Line of Defence Regulators and External Audit		Current Net Risk score (post controls)
		Group Function	Division	Sites	Compliance	Control Excellence	Risk	Governance Committees	Internal Audit	Third Party/Consultants	Regulator	Ext. Audit	
1. Regulatory change	15	M	M	M	N/A	M	M	M	M	M	N/A	M	12
2. Loss of facilities	8	H	H	H	N/A	H	L	H	N	M	N/A	H	3
3. Ability to attract and retain talent	15	H	H	M	N/A	H	M	H	N	M	N	N/A	8
4. IT Resilience	8	H	M	N	M	M	O	M	N	N	H	N/A	4
5. Supply Chain incl. rising costs	9	H	H	N	N/A	H	L	M	N	N	N/A	M	6
6. ESG	12	M	M	M	M	M	M	M	N	N	N/A	N/A	8
7. Cyber	12	L	L	L	N	O	H	M	N	M	N/A	N	10
8. Transformation delivery	8	H	M	N	H	H	M	M	N	N	H	N/A	6

- 1 High assurance**
Control(s) cover all aspects of the risk and are effective.
- 2 Medium assurance**
Control(s) cover significant aspects of the risk and/or are partially effective.
- 3 Low assurance**
Control(s) provide minimum coverage of the risk and/or are not effective.
- 4 Other assurance**
Control(s) do not directly cover the risk but can be secondary source of assurance.
- 5 Not applicable or No assurance**
N/A - Source of assurance is not applicable for this risk.
None - no assurance identified by management.

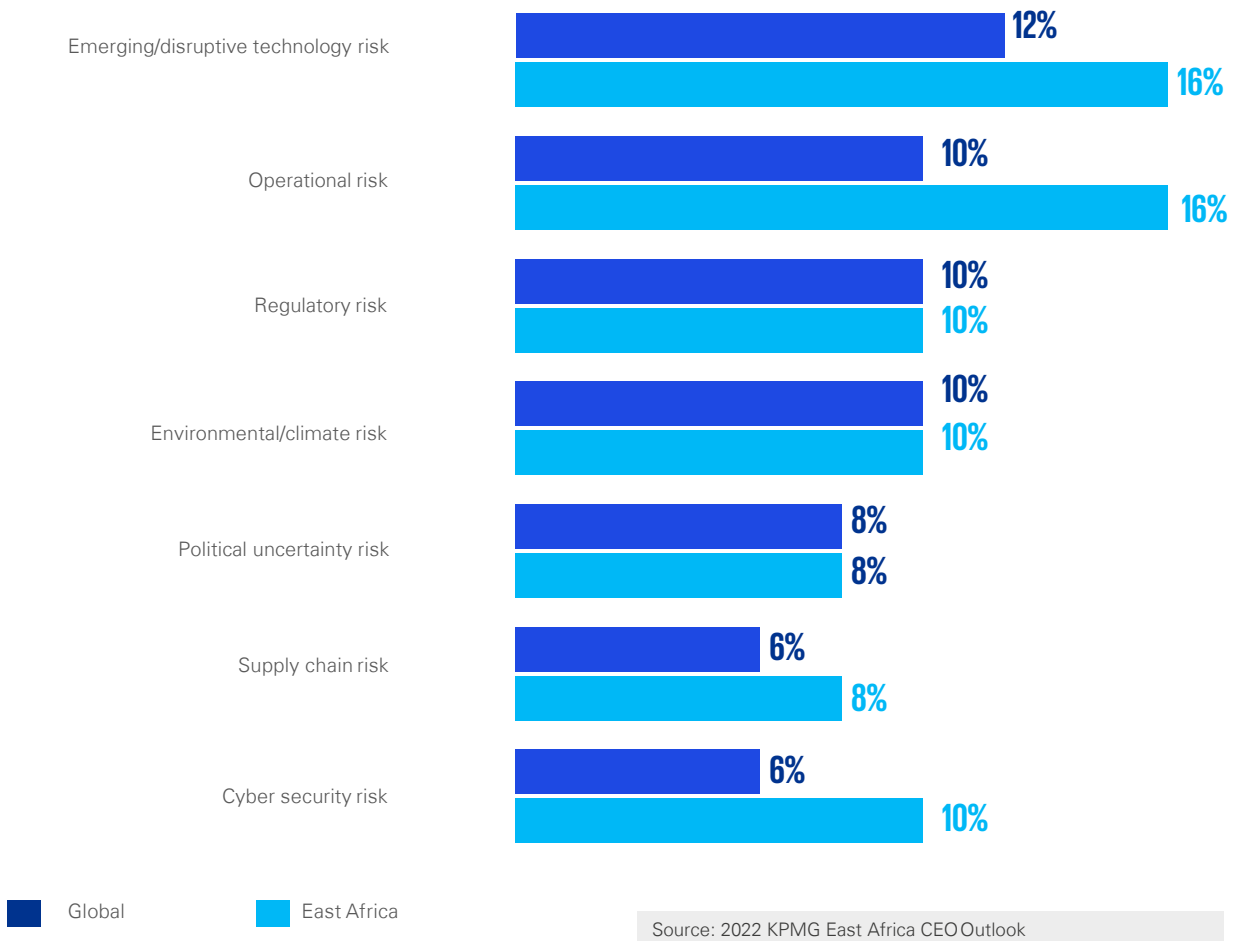
Determining the right level of assurance



Changing the Profiles of Delivery

East African CEOs consider emerging/disruptive technology and operational risks as posing the greatest threat to their organization’s growth, over the next three years. Other risks include environmental, regulatory, supply chain and political uncertainty risks.

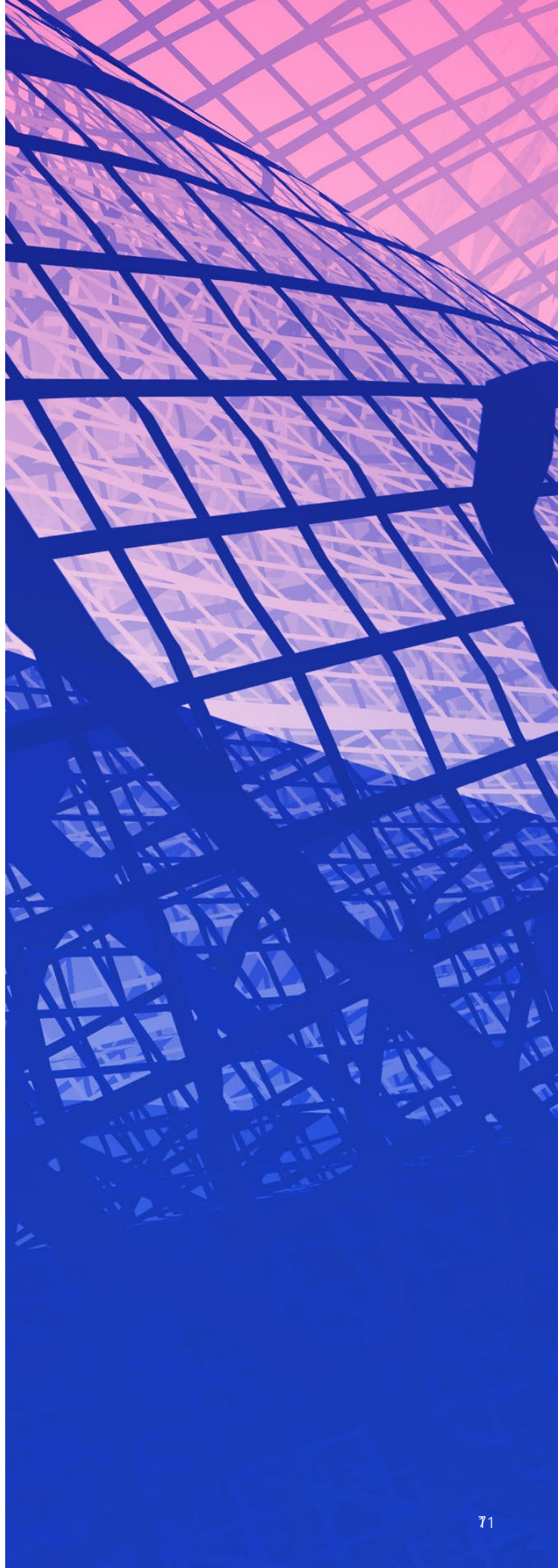
Below are the top 7 out of the 14 greatest threats to an organization’s growth over the next 3 years according to East Africa CEOs.



Source: 2022 KPMG East Africa CEO Outlook

For IA leaders, it is not just about evaluating risk management and control processes that will involve more technology; it is about embracing many of those same technologies to enable better, smarter audits. Rising to these demands requires new thinking, new skills, and new capabilities. IA will need to become more data enabled, dynamic, and driven than ever before.

While being tasked with working more efficiently, and creating more value in less time with potentially limited resources, IA must skillfully balance its role of enabling change to drive business value with an effective assessment of these new and critical risks. As technology, data, and automation play an ever-greater role in the daily work of the IA function, the shape of the audit workforce must evolve to integrate more tech-savvy audit professionals.



Conclusion

CEOs are increasingly confident that the global economy is coming back strong. This confidence has put leadership in an aggressive growth stance—determined to expand their organizations in any way they can.

Investments in innovative technologies and processes are seen as enablers for new levels of digital agility, driving organizations toward their intended growth.

While this confidence brings renewed optimism, it also brings significant challenges to the IA function as they strive to keep pace with ever-changing and increasingly complex stakeholder requirements.

Following the agenda of successful organizations and leveraging the lessons we have learned from transforming audit functions across industries, you can take a step in the right direction on your transformation journey.

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Powered Enterprise | Internal Audit

The power of insight-driven IA

Speed up auditing and reporting—and elevate trust with KPMG Powered Enterprise | Internal Audit.

What if IA could be less reactive and more attuned to emerging risk?

Turn your IA into a problem-solving powerhouse.

Many IA functions are stuck finding issues after the fact. KPMG Powered Enterprise | Internal Audit (Powered Internal Audit) can help your organization turn the focus away from manual tasks and toward new insights that identify how your business can improve.

We bring our years of business and technology experience to help IA departments rethink how they define their strategy, operate as a function, prioritize work, and use data, analytics, and automation to provide value beyond standard assurance.

By taking advantage of preconfigured, customizable tools, organizations can quickly build roadmaps toward continuous, real-time auditing and concise, visualized reporting. And by using a future-focused approach, they can build a program that is responsive to disruption, flexes with the overall business strategy, orchestrates talent development, and becomes a trusted, integral part of leadership decision-making.

Benefits and outcomes

Impactful risk
management
contributions

Clarity in
findings and
action plans

Improved
estimation of
impact

Improved
use of audit
resources

Faster report
creation times

Shorter audit
completion
time